

COSTAR GROUP INC  
Form S-3/A  
October 10, 2003

As filed with the Securities and Exchange Commission on October 10, 2003

Registration No. 333-106769

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

---

**AMENDMENT**  
**NO. 3 TO**  
**Form S-3**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

---

**CoStar Group, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**52-2091509**  
*(I.R.S. Employer  
Identification No.)*

---

**2 Bethesda Metro Center, Bethesda, MD 20814**  
**(301) 215-8300**  
*(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)*

---

**Carla J. Garrett, Esq.**  
**General Counsel**  
**2 Bethesda Metro Center, Bethesda, MD 20814**  
**(301) 215-8300**  
*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

---

*Copy to:*

**Stephen I. Glover, Esq.**  
**Gibson, Dunn & Crutcher, LLP**  
**1050 Connecticut Avenue, N.W.**  
**Washington, DC 20036**  
**(202) 955-8500**

---

**William C. Rogers, Esq.**  
**Choate, Hall & Stewart**  
**Exchange Place, 53 State Street**  
**Boston, MA 02109**  
**(617) 248-5000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable on or after the effective date of this Registration Statement.

---

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

## Edgar Filing: COSTAR GROUP INC - Form S-3/A

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

---

---

---

The information in this prospectus is not complete and may be changed. A registration statement relating to the securities has been filed with the Securities and Exchange Commission. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED OCTOBER 10, 2003**

**PROSPECTUS**

---

1,250,000 Shares

**Common Stock**

---

We are offering 1,250,000 shares of our common stock. Our common stock is traded on the Nasdaq National Market under the symbol CSGP. The last reported sale price of our common stock on October 8, 2003 on the Nasdaq National Market was \$28.71 per share.

---

**Investing in our common stock involves risks. See Risk Factors on page 4.**

---

	<b>Per Share</b>	<b>Total</b>
Public Offering Price	\$	\$
Underwriting Discounts	\$	\$
Proceeds, before expenses, to CoStar Group, Inc.	\$	\$

The underwriters have a 30-day option to purchase up to an additional 187,500 shares of common stock from us to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

---

**Needham & Company, Inc.**

**William Blair & Company**

**JMP Securities**  
**, 2003.**

The date of this prospectus is

**TABLE OF CONTENTS**

	<b>Page</b>
Prospectus Summary	1
Risk Factors	4
Cautionary Statement Regarding Forward Looking Statements	9
Use of Proceeds	10
Price Range of Common Stock	11
Dividend Policy	11
Capitalization	12
Dilution	13
Selected Consolidated Financial and Operating Data	14
Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Business	27
Management	37
Underwriting	40
Legal Matters	42
Experts	42
Where You Can Find More Information	43
Incorporation by Reference	44
Index to Consolidated Financial Statements	F-1

## PROSPECTUS SUMMARY

*The following summary highlights the key information contained elsewhere in this prospectus. It does not contain all the information that may be important to you. You should read this entire prospectus carefully, especially the discussion of Risk Factors and our consolidated financial statements and related notes, before deciding to invest in shares of our common stock. In this prospectus, CoStar, the Company, we, us, and our refers to CoStar Group, Inc. and its subsidiaries unless the context requires otherwise. Unless otherwise indicated, the information in this prospectus assumes no exercise of the underwriters over-allotment option.*

### The Company

We are the leading provider of information services to the commercial real estate industry in the United States and United Kingdom based on the fact that we offer the most comprehensive commercial real estate database available, have the largest research department and the most clients in the industry, provide more information services than any of our competitors and believe we generate more revenues than any of our competitors. Our integrated suite of services offers customers online access to the most comprehensive database of commercial real estate information, which has been researched and verified by our team of researchers, covering 50 U.S. markets as well as London and the United Kingdom.

Since our founding in 1987, our strategy has been to provide commercial real estate professionals with critical knowledge to complete transactions, by offering the most comprehensive, timely and standardized information on U.S. commercial real estate. As a result of our January 2003 acquisition of Property Intelligence plc, we have extended our offering of comprehensive commercial real estate information to include London and other U.K. markets. We deliver our content to customers via an integrated suite of online service offerings which includes information about space available for lease, comparable sales information, tenant information, information about properties for sale, information for clients web sites, analytic information, data integration, property marketing, organizational tools for contact and property information and industry news. We have created a standardized information platform where the commercial real estate industry and related businesses can continuously interact and easily facilitate transactions due to efficient exchange of accurate information supplied by us. In 2002, we released a major upgrade to our services that integrates each of our principle information services into a single, fully web-based platform.

We have a number of assets that provide a unique foundation for our multinational platform, including the most comprehensive, proprietary database in the industry; the largest research department in the industry; advanced software and proprietary technology, including a large in-house product development team; a broad suite of web-based information services; and what we believe is the largest number of clients. Our database has been developed and enhanced for more than 15 years by a research department that makes thousands of daily updates to our database. In addition to our internal efforts to grow the database, we have obtained and assimilated over 50 proprietary databases.

Our subscription-based information services, consisting primarily of CoStar Property, CoStar Tenant, CoStar COMPS and FOCUS services, currently generate over 90% of our total revenues. Our contracts for our subscription-based information services typically have a minimum term of one year and renew automatically. Upon renewal, many of the subscription contract rates may increase in accordance with contract provisions or as a result of contract renegotiations. To encourage clients to use our services regularly, we generally charge a fixed monthly amount for our subscription-based services rather than fees based on actual system usage. Contract rates are based on the number of sites, number of users, organization size, the client's business focus and the number of services to which a client subscribes. Our subscription clients generally pay contract fees on a monthly basis, but in some cases may pay us on a quarterly or annual basis.

Our principal executive offices are located at 2 Bethesda Metro Center, Bethesda, Maryland 20814 and our telephone number is (301) 215-8300. You can visit our website at [www.costar.com](http://www.costar.com). The information contained on our website is not part of this prospectus and you should not rely on it in deciding whether to invest in our common stock.

**The Offering**

Common stock offered by CoStar Group, Inc. 1,250,000 shares

Common stock to be outstanding after this offering 17,259,826 shares

Use of Proceeds We intend to use the net proceeds to fund all or a portion of the costs of any strategic acquisitions we determine to pursue in the future, to finance the growth of our business and for working capital and other general corporate purposes.

Nasdaq National Market symbol CSGP

The information above is based on the number of shares outstanding as of September 30, 2003 and excludes (a) outstanding options to purchase up to 2,136,320 shares of common stock as of September 30, 2003, (b) 750,332 shares of common stock available for future issuance under our stock option plan and (c) an outstanding warrant to purchase 8,117 shares of common stock.

**Summary Consolidated Financial Data**

(in thousands, except per share data)

The following table provides selected consolidated financial and operating data for the five years ended December 31, 2002 and the three and six months ended June 30, 2002 and 2003.

The As Adjusted column in the balance sheet data gives effect to the sale of 1,250,000 shares of common stock in this offering at an assumed offering price of \$28.71 per share, the last reported sale price of our common stock on October 8, 2003 on the Nasdaq National Market, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Fiscal Year Ended December 31,					Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003	2002	2003
<b>Consolidated Statement of Operations Data:</b>									
Revenues	\$ 13,900	\$ 30,234	\$ 58,502	\$ 72,513	\$ 79,363	\$ 19,539	\$ 23,174	\$ 38,600	\$ 45,727
Gross margin	9,338	16,990	28,300	42,197	51,351	12,602	15,458	24,567	30,408
Loss from operations	(3,526)	(15,383)	(55,035)	(22,726)	(5,543)	(1,481)	(423)	(3,342)	(1,343)
Net loss	(3,185)	(12,277)	(49,655)	(20,161)	(4,784)	(1,267)	(367)	(2,889)	(1,210)
Net loss per share basic and diluted	\$ (0.44)	\$ (1.05)	\$ (3.28)	\$ (1.29)	\$ (0.30)	\$ (0.08)	\$ (0.02)	\$ (0.18)	\$ (0.08)
Weighted average shares outstanding basic and diluted	7,213	11,727	15,137	15,636	15,759	15,742	15,856	15,730	15,835

	As of June 30, 2003	
	Actual	As Adjusted
(unaudited)		
<b>Consolidated Balance Sheet Data:</b>		
Cash, cash equivalents and short-term investments	\$ 31,601	\$ 65,265
Working capital	24,061	57,725
Total assets	120,990	154,654
Total liabilities	14,978	14,978
Stockholders equity	106,012	139,676



## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should consider the following risk factors, as well as other information contained in this prospectus, before deciding to purchase any shares of our common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. If any of these risks occur, our business could suffer, the market price of our common stock could decline and you could lose all or part of your investment in our common stock.*

### **We have experienced operating losses and our future profitability is uncertain.**

To date, we have not recorded an overall operating profit because the investment required for geographic expansion and new information services has caused our expenses to exceed our revenues. Our ability to earn a profit will largely depend on our ability to manage our growth, and to generate revenues that exceed our expenses. In addition, our ability to earn a profit, to increase revenues or to control costs could be affected by the factors set forth below. We may not be able to generate revenues or control expenses sufficient to earn a profit, to maintain profits on a quarterly or annual basis, or to sustain or increase our future revenue growth and, as a result, the market price of our common stock may decline.

### **Continued downturn or consolidation in the commercial real estate industry may decrease customer demand for our services.**

Currently, the commercial real estate industry is in a weakened state, as evidenced by higher vacancy rates and lower leasing activity, rental rates and absorption rates. A depressed commercial real estate market has a negative impact on our core customer base, which could decrease demand for our information services. A continuation of the weak commercial real estate business may continue to affect our ability to generate new sales and may lead to more cancellations by our current or future customers, both of which could cause our revenues or our revenue growth rate to decline and reduce our profitability. Also, companies in this industry are consolidating, often in order to reduce expenses. Consolidation may lead to more cancellations of our information services by our customers, reduce the number of our existing clients, reduce the size of our target market or increase our clients' bargaining power, all of which could cause our revenues or our revenue growth rate to decline and reduce our profitability.

### **If we are not able to successfully identify and integrate acquisitions, our business operations and financial condition could be adversely affected.**

We have expanded our markets and services in part through acquisitions of complementary businesses, services, databases and technologies, and expect to continue to do so in the future. Our strategy to acquire complementary companies or assets depends on our ability to identify, and the availability of, suitable acquisition candidates. In addition, acquisitions involve numerous risks, including managing the integration of personnel and products; managing geographically remote operations, such as recently acquired Property Intelligence plc in the UK; the diversion of management's attention from other business concerns; the inherent risks in entering markets and sectors in which we have either limited or no direct experience; and the potential loss of key employees or clients of the acquired companies. We may not successfully integrate any acquired businesses or assets and may not achieve anticipated benefits of any acquisition. Future acquisitions that we may pursue could result in dilutive issuances of equity securities, the incurrence of debt, one-time write-offs of goodwill and substantial amortization expenses of other intangible assets.

### **We may not be able to successfully introduce new or upgraded information services, which could decrease our revenues and our profitability.**

Our future business and financial success will depend on our ability to continue to introduce new and upgraded services into the marketplace. To be successful, we must adapt to rapid technological changes by continually enhancing our information services. Developing new services and upgrades to services imposes heavy burdens on our systems department, management and researchers. This process is costly, and we

cannot assure you that we will be able to successfully develop and enhance our services. In addition, successfully launching and selling a new service, such as web-based CoStar Property 8.0, puts pressure on our sales and marketing resources. If we are unable to develop new or upgraded services, then our customers may choose a competitive service over ours and our revenues may decline and our profitability may be reduced. In addition, if we incur significant costs in developing new or upgraded services, are not successful in marketing and selling these new services or upgrades, or our customers fail to accept these new services, it could have a material adverse effect on our results of operations by decreasing our revenues or our revenue growth rate and by reducing our profitability.

**General economic conditions could increase our expenses and reduce our revenues.**

Our business and the commercial real estate industry are particularly affected by negative trends in the general economy. The success of our business depends on a number of factors relating to general global, national, regional and local economic conditions, including inflation, interest rates, perceived and actual economic conditions, taxation policies, availability of credit, employment levels, and wage and salary levels. The current negative state of the economy, and the commercial real estate industry in particular, has had a negative impact on our business. Any continuation of these negative general economic conditions could adversely affect our business by reducing our revenues and profitability. Additionally, any war in which the United States is involved or any significant terrorist attack is likely to have a dampening effect on the economy in general which could negatively affect our financial performance and our stock price. In addition, a significant increase in inflation could increase our expenses, which may not be offset by increased revenues. If clients choose to cancel our information services as a result of economic conditions, and we do not acquire new clients, our revenues may decline and our financial position would be adversely affected.

**Our stock price may be negatively affected by fluctuations in our operating results.**

Our operating results, revenues and expenses may fluctuate with general economic conditions and also for many other reasons, many of which are outside of our control, such as: cancellations or non-renewals of our services; competition; our ability to control expenses; loss of clients or revenues; changes or consolidation in the real estate industry; the timing and success of new service introductions and enhancements; the development of our sales force; managerial execution; data quality; employee retention; foreign currency fluctuations; our investments in geographic expansion; successful adoption of and training on the Company's services; the timing of investing the net proceeds from our offerings; acquisitions of other companies or assets; sales, brand enhancement and marketing promotional activities; client training and support activities; changes in client budgets; or our investments in other corporate resources. In addition, changes in accounting policies or practices may affect our level of GAAP net income, including without limitation, changes requiring us to expense stock options. Fluctuations in our operating results, revenues and expenses may cause the market price of our common stock to decline.

**Our revenues and financial condition will be adversely affected if we are not able to attract and retain clients.**

Our success and revenues depend on attracting and retaining subscribers to our information services. Our subscription-based information services generate the largest portion of our revenues. However, our clients may decide not to renew or to cancel their agreements as a result of several factors, including without limitation: a decision that they have no further need for our services; a decision to use alternative products; pricing and budgetary constraints; consolidation in the real estate industry; data quality; technical problems; or economic or competitive pressures. In addition, if we do not maintain adequate training and support levels, we could experience reduced demand for our information services. If clients decide not to renew or cancel their agreements, and we do not attract new clients, then our revenues or our revenue growth rate may decline.

**If our operating costs are higher than we expect, our profitability may be reduced.**

Many of our expenses, particularly personnel costs and occupancy costs, are relatively fixed. As a result, we may not be able to adjust spending quickly enough to offset any unexpected revenue shortfall or increase

in expenses. Additionally, we may experience higher than expected operating costs, including increased personnel costs, selling and marketing costs, investments in geographic expansion, acquisition costs, occupancy costs, communications costs, travel costs, software development costs, outside services costs and other costs. If operating costs exceed our expectations or cannot be adjusted accordingly, our profitability may be reduced and our results of operations and financial condition will be adversely affected.

**Competition could render our services uncompetitive.**

The market for information systems and services in general is highly competitive and rapidly changing. Our existing competitors, or future competitors, may have greater name recognition, larger customer bases, better technology or data, lower prices, easier access to data, greater user traffic or greater financial, technical or marketing resources than we have. Our competitors may be able to undertake more effective marketing campaigns, obtain more data, adopt more aggressive pricing policies, make more attractive offers to potential employees, subscribers, distribution partners and content providers or may be able to respond more quickly to new or emerging technologies or changes in user requirements. Increased competition could result in lower revenues and higher expenses, which would reduce our profitability.

**International expansion may result in new business risks which may reduce our profitability.**

Our international expansion could subject us to new business risks, including: adapting to the differing business practices and laws in foreign countries; difficulties in managing foreign operations; limited protection for intellectual property rights in some countries; difficulty in collecting accounts receivable and longer collection periods; costs of enforcing contractual obligations; impact of recessions in economies outside the United States; currency exchange rate fluctuations; and potentially adverse tax consequences. In addition, international expansion imposes additional burdens on our executive and administrative personnel, systems development, research and sales departments, and general managerial resources. If we are not able to manage our growth successfully, we may incur higher expenses and our profitability may be reduced. Finally, the investment required for international expansion could exceed the profit generated from such expansion, which would reduce our profitability and adversely affect our financial condition.

**Fluctuating foreign currencies may negatively impact our business, results of operations and financial condition.**

As a result of the Property Intelligence acquisition, a portion of our business is denominated in the British Pound and as a result, fluctuations in foreign currencies may have an impact on our business, results of operations, and financial condition. Currencies may be affected by internal factors, and external developments in other countries, all of which can have an adverse impact on a country's currency. Currently, we do not have any hedging transactions to reduce our exposure to exchange rate fluctuations. We may seek to enter into hedging transactions in the future but we may be unable to enter into these transactions successfully, on acceptable terms or at all. We cannot predict whether we will incur foreign exchange losses in the future, and significant foreign exchange fluctuations resulting in a decline in the British Pound may decrease the value of our foreign assets, as well as decrease our revenues and earnings from our foreign subsidiaries.

**If we are not able to obtain and maintain accurate, comprehensive or reliable data, we could experience reduced demand for our information services.**

Our success depends on our clients' confidence in the comprehensiveness, accuracy and reliability of the data we provide. The task of establishing and maintaining accurate and reliable data is challenging. If our data, including the data we obtain from third parties, is not current, accurate, comprehensive or reliable, we could experience reduced demand for our services or legal claims by our customers, which could result in lower revenues and higher expenses.

**If we are unable to hire, retain and continue to develop our sales force, our revenues could be adversely affected.**

In order to support revenue growth, we need to continue to develop, train and retain our sales force. Our ability to build and develop a strong sales force may be affected by a number of factors, including: our ability to integrate and motivate sales personnel; our ability to effectively train our sales force; the ability of our sales force to sell an increased number of services; the length of time it takes new sales personnel to become productive; the competition we face from other companies in hiring and retaining sales personnel; and our ability to effectively manage a multi-location sales organization. If we are unable to hire, develop or retain the members of our sales force, or if our sales force is unproductive, our revenues could decline or cease to grow and our expenses could increase.

**Our business depends on retaining and attracting highly capable management and operating personnel.**

Our success depends in large part on our ability to retain and attract management and operating personnel, including our President and Chief Executive Officer, Andrew Florance, our officers and other key employees. Our business requires highly skilled technical, sales, management, web-development, marketing and research personnel, who are in high demand and are often subject to competing offers. To retain and attract key personnel, we use various measures, including employment agreements, a stock incentive plan and incentive bonuses for key executive officers. These measures may not be enough to retain and attract the personnel we need or to offset the impact on our business of the loss of the services of Mr. Florance or other key officers or employees.

**Technical problems that affect our customers' use of or access to our services could lead to reduced demand for our information services.**

Our business increasingly depends upon the satisfactory performance, reliability and availability of our web site, the Internet and our service providers. Problems with our web site, the Internet or the services provided by our local exchange carriers or Internet service providers could result in slower connections for our customers or interfere with our customers' access to our information services. If we experience technical problems in distributing our services, we could experience reduced demand for our information services. In addition, the software underlying our services is complex and may contain undetected errors. Despite testing, we cannot be certain that errors will not be found in our software. Any errors could result in adverse publicity, impaired use of our services, loss of revenues, cost increases and legal claims by customers. All these factors could seriously damage our business, operating results and financial condition.

**Temporary or permanent outages of our computers, software or telecommunications equipment could lead to reduced demand for our information services.**

Our operations depend on our ability to protect our database, computers and software, telecommunications equipment and facilities against damage from potential dangers such as fire, power loss, security breaches, computer viruses and telecommunications failures. Any temporary or permanent loss of one or more of these systems or facilities from an accident, equipment malfunction or some other cause could harm our business. If we experience a failure that prevents us from delivering our information services to clients, we could experience reduced demand for our information services.

**If we are unable to enforce or defend our ownership and use of intellectual property, our business, competitive position and operating results could be harmed.**

The success of our business depends in large part on the intellectual property involved in our methodologies, database, services and software. We rely on a combination of trade secret, patent, copyright and other laws, nondisclosure and noncompetition provisions, license agreements and other contractual provisions and technical measures to protect our intellectual property rights. However, current law may not provide for adequate protection of our databases and the actual data. In addition, legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet-related businesses are

uncertain and evolving, and we cannot assure you of the future viability or value of any of our proprietary rights. Our business could be significantly harmed if we are not able to protect our content and our other intellectual property. The same would be true if a court found that our services infringe other persons' intellectual property rights. Any intellectual property lawsuits in which we are involved, either as a plaintiff or as a defendant, could cost us a significant amount of time and money and distract management's attention from operating our business. In addition, if we do not prevail on any intellectual property claims, this could result in a change to our methodology or information services and could reduce our profitability.

**We may be subject to legal liability for displaying or distributing information.**

Because the content in our database is distributed to others, we may be subject to claims for defamation, negligence or copyright or trademark infringement or claims based on other theories. We could also be subject to claims based upon the content that is accessible from our web site through links to other web sites or information on our web site supplied by third parties. Even if these claims do not result in liability to us, we could incur significant costs in investigating and defending against any claims. Our potential liability for information distributed by us to others could require us to implement measures to reduce our exposure to such liability, which may require us to expend substantial resources and limit the attractiveness of our information services to users.

**Litigation in which we become involved or newly-adopted laws and regulations may significantly increase our expenses.**

Currently and from time to time, we are involved in litigation incidental to the conduct of our business. We cannot assure you that we will have sufficient insurance to cover our pending claims or our future claims. Any lawsuits in which we are involved could cost us a significant amount of time and money. If any claims are determined against us, our profitability could be reduced and our financial position could be adversely affected. In addition, governments in the United States or abroad could adopt laws that could harm our business by for example, regulating the information we provide or regulating our transmissions over the Internet, or exposing our business to taxes in various jurisdictions. Compliance with any such laws could increase our costs or make our services less attractive.

**If we do not generate sufficient cash flows from operations, we may need additional capital, which may not be accessible at all or on attractive terms.**

To date, we have financed our operations through cash generated from operations of our profitable regions, the sale of our stock and borrowing money. If we do not generate enough cash from operations to finance our business in the future, we will need to raise additional funds through public or private financing. Selling additional equity securities could dilute the equity interests of our stockholders. If we borrow money, we will have to pay interest and agree to restrictions that may limit our operating flexibility. We may not be able to obtain funds needed to finance our operations at all or may not be able to obtain funds on attractive terms. If we require additional funds in the future and are not able to obtain such funds, we may not be able to operate our business as presently conducted, or finance internal or external expansion.

**Market volatility may have an adverse effect on our stock price.**

The trading price of our common stock has fluctuated widely in the past, and we expect that it will continue to fluctuate in the future. The price could fluctuate widely based on numerous factors, including: quarter-to-quarter variations in our operating results; changes in analysts estimates of our earnings; announcements by us or our competitors of technological innovations or new services; general conditions in the commercial real estate industry; developments or disputes concerning copyrights or proprietary rights; regulatory developments; and economic or other factors. In addition, in recent years, the stock market in general, and the shares of Internet-related and other technology companies in particular, have experienced extreme price fluctuations. This volatility has had a substantial effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of the specific companies.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus and documents incorporated in this prospectus that are subject to risks and uncertainties. Forward-looking statements include information that is not purely historic fact and include, without limitation, statements concerning our financial outlook for 2003 and beyond, our possible or assumed future results of operations generally, and other statements and information regarding assumptions about our revenues, EBITDA, GAAP net income, GAAP taxable income, cash flow from operations, available cash, operating costs, amortization expense, intangible asset recovery, net income (loss) per share, diluted net income per share, capital and other expenditures, financing plans, capital structure, legal proceedings and claims, our database, services and facilities, employee relations, future economic performance, management's plans, goals and objectives for future operations and growth and markets for our stock. The sections of this prospectus and documents incorporated in this prospectus, which contain forward-looking statements, include Prospectus Summary, Risk Factors, Use of Proceeds, Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and our consolidated financial statements and related notes.

Our forward-looking statements are also identified by words such as believes, expects, anticipates, intends, estimates or similar expressions. You should understand that these forward-looking statements are necessarily estimates reflecting our judgment, not guarantees of future performance. They are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. The following important factors, in addition to those discussed in Risk Factors and other unforeseen events or circumstances, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements: general economic conditions; customer retention; competition; our ability to identify and integrate acquisitions; our ability to control costs; changes or consolidations within the commercial real estate industry; release of new and upgraded services by us or our competitors; data quality; development of our sales force; employee retention; technical problems with our services; managerial execution; changes in relationships with real estate brokers and other strategic partners; foreign currency fluctuations; legal and regulatory issues; changes in accounting policies or practices; and successful adoption of and training on our services.

Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus or the date of the document incorporated in this prospectus by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or the date of the documents incorporated by reference into this prospectus or to reflect the occurrence of unanticipated events.

### USE OF PROCEEDS

We estimate the net proceeds to us of this offering to be approximately \$33.7 million, based on an assumed offering price of \$28.71 per share, the last reported sale price of our common stock on October 8, 2003 on the Nasdaq National Market, after deducting the estimated expenses related to this offering and the underwriting discount payable by us. We intend to use the net proceeds from this offering primarily to:

fund all or a portion of the costs of any strategic acquisitions we determine to pursue in the future, although we cannot assure you that we will be able to identify or consummate any such acquisitions, and we have no present understanding or agreement relating to any specific acquisition or investment;

expand in new and existing markets;

expand existing services across our current markets;

develop and facilitate distribution of new services; and

fund working capital and other general corporate purposes.

We are not able to estimate the approximate amount of net proceeds from the offering that will be devoted to each of the above-mentioned intended purposes. However, we expect that a majority of the net proceeds from the offering will be used to fund all or a portion of the costs of strategic acquisitions. In addition, we currently expect to fund day-to-day cash requirements from cash flow from operations, and not from the net proceeds from the offering.

The amounts actually spent by us for any specific purpose may vary significantly and will depend on a number of factors, including the various uncertainties about our business and potential acquisitions described under Risk Factors. Accordingly, our management has broad discretion to allocate the net proceeds. Pending such uses, the net proceeds of the sale of these shares may be invested in short-term, interest-bearing investment-grade securities.

### PRICE RANGE OF COMMON STOCK

Our common stock is traded on the Nasdaq National Market under the symbol CSGP. The following table sets forth the per share range of the high and low closing sales prices of our common stock as reported on Nasdaq for the periods indicated:

	High	Low
<b>Fiscal Year Ended December 31, 2001</b>		
First Quarter	\$ 30.75	\$ 14.00
Second Quarter	29.06	15.25
Third Quarter	28.05	15.75
Fourth Quarter	24.40	16.30
<b>Fiscal Year Ended December 31, 2002</b>		
First Quarter	26.10	16.01
Second Quarter	25.34	19.60
Third Quarter	24.52	17.11
Fourth Quarter	19.49	15.84
<b>Fiscal Year Ending December 31, 2003</b>		
First Quarter	22.65	17.77
Second Quarter	30.54	21.27
Third Quarter	31.90	26.07
Fourth Quarter (through October 8, 2003)	28.71	26.89

The last reported sale price for our common stock on the Nasdaq National Market on October 8, 2003 was \$28.71 per share. As of October 8, 2003, there were approximately 95 holders of record of our common stock.

### DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors, subject to applicable limitations under Delaware law, and will be dependent upon our results of operations, financial condition and other factors deemed relevant by our Board of Directors. We do not anticipate paying any dividends on our common stock during the foreseeable future, but intend to retain any earnings for future growth of our business.



# CAPITALIZATION

The following table sets forth our capitalization at June 30, 2003 on an actual and as adjusted basis. As adjusted figures reflect the sale of 1,250,000 shares of our common stock in this offering at an assumed offering price of \$28.71 per share, the last reported sale price of our common stock on October 8, 2003 on the Nasdaq National Market, less the estimated underwriting discount and related expenses. You should read this table in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2003	
	Actual	As Adjusted
	(in thousands)	
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000 shares authorized; none outstanding	\$	\$
Common stock, \$.01 par value; 30,000 shares authorized; 15,948 issued and outstanding actual; 17,198 shares issued and outstanding as adjusted (1)	159	172
Additional paid-in capital	207,793	241,444
Accumulated other comprehensive income (loss)	759	759
Accumulated deficit	(102,699)	(102,699)
Total stockholders' equity	106,012	139,676
Total capitalization	\$ 106,012	\$ 139,676

- (1) Excludes (a) 3,750,000 shares of common stock reserved for issuance under our 1998 Stock Incentive Plan, pursuant to which options to purchase a total of 2,073,861 shares at a weighted average exercise price of \$21.95 per share were outstanding at June 30, 2003, and (b) 8,117 shares of common stock reserved for issuance under an outstanding warrant.

**DILUTION**

The net tangible book value of our common stock as of June 30, 2003 was \$34.4 million or approximately \$2.16 per share. Net tangible book value per share represents the amount of our stockholders' equity less intangible assets, divided by the number of shares of our common stock outstanding.

Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of common stock in this offering and the net tangible book value per share of common stock immediately after completion of this offering. After giving effect to the sale by us of 1,250,000 shares of common stock in this offering at an assumed offering price of \$28.71, deducting the underwriting discounts and commissions and estimated offering expenses and applying the estimated net proceeds from this offering, our net tangible book value as of June 30, 2003 would have been \$68.1 million or \$3.96 per share. This represents an immediate increase in net tangible book value of \$1.80 per share to existing stockholders and an immediate dilution of \$24.75 per share to purchasers of common stock in this offering. The following table illustrates this per share dilution:

Assumed public offering price per share		\$28.71
Net tangible book value per share at June 30, 2003	\$2.16	
Increase per share attributable to new investors	1.80	
	<hr/>	
Net tangible book value per share after this offering		3.96
		<hr/>
Dilution per share to new investors		\$24.75
		<hr/>

As of June 30, 2003, there were (a) options outstanding to purchase a total of 2,073,861 shares of common stock under our stock option plan at a weighted average exercise price of \$21.95 per share, (b) 873,463 shares of common stock available for issuance under our stock option plan and (c) 8,117 shares issuable under an outstanding warrant. To the extent outstanding options and warrants are exercised, or available shares are issued, there may be further dilution to new investors.

**SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA****(in thousands, except per share data and other operating data)**

The following table provides selected consolidated financial and other operating data for the five years ended December 31, 2002 and the three and six months ended June 30, 2002 and June 30, 2003. The Consolidated Statement of Operations Data shown below for each of the three years ended December 31, 2002 and the Consolidated Balance Sheet Data as of December 31, 2001 and 2002 are derived from audited financial statements included in this prospectus. The Consolidated Statement of Operations Data for each of the years ended December 31, 1998 and 1999 and the Consolidated Balance Sheet Data as of December 31, 1998, 1999 and 2000 shown below are derived from audited financial statements for those years that are not included in this prospectus. The Consolidated Statement of Operations Data shown below for the three and six months ended June 30, 2002 and 2003 and the Consolidated Balance Sheet Data as of June 30, 2003 are derived from our unaudited consolidated financial statements included in this prospectus. It is important that you read this data in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our historical results are not necessarily indicative of the operating results that may be expected in the future.

	Fiscal Year Ended December 31,					Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1999	2000 <sup>(1)</sup>	2001	2002 <sup>(2)</sup>	2002	2003	2002	2003
<b>Consolidated Statement of Operations Data:</b>									
						(unaudited)		(unaudited)	
Revenues	\$ 13,900	\$ 30,234	\$ 58,502	\$ 72,513	\$ 79,363	\$ 19,539	\$ 23,174	\$ 38,600	\$ 45,727
Cost of revenues	4,562								